BANK OF CANADA
BANQUE DU CANADA

CORRA sunset review

Recommendation for a new minimum volume threshold and draft of the final report

FMD-MAO

September CAG meeting
September 25, 2025

2025 Sunset Review

- Questions for CAG members

- **Do CAG members support the Minimum Volume Threshold (MVT) recommendation?**
- **Do CAG members endorse the draft of the 2025 sunset review final report? If so, we will**
  - Seek CFIF endorsement at meeting on November 6
  - Seek approval of Bank's internal CORRA Oversight Committee at meeting on November 17
  - Publish report on Bank's website before year end
  - Implement the MVT change in early 2026, timing TBC

Summary of 2025 Sunset Review Recommendations

- The scope of the review included analysis on CORRA's **trim method, minimum volume threshold,** and **exclusion of BoC and GoC repos.**
- We recommend only changing the MVT at this sunset review.

- **No change to CORRA's trim method, but an ad hoc review should be considered later as CCMS adoption progresses** and GC basket gains traction. The analysis suggested some improvements could be made, but after other considerations, the improvements were not material enough to warrant a methodology change at this sunset review.
- **Change the MVT to be dynamic** and calculated as 30 percent of the 5-day moving average of CORRA trimmed volumes.
- **No change in the exclusion of BoC and GoC overnight repo transactions** as the initial rationale for exclusion from CORRA remains relevant.

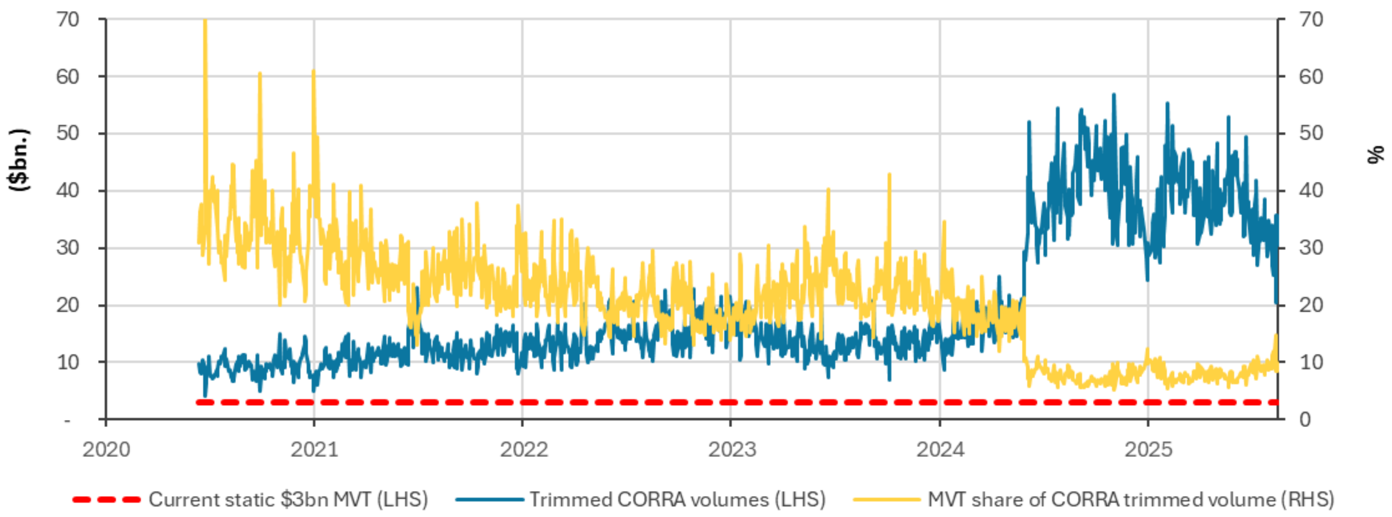
Appendix: Minimum Volume Threshold

Background: Minimum Volume Threshold

- Benchmark rates should exhibit robust volumes that are representative of the market
- The minimum volume threshold (MVT) is meant to ensure CORRA is representative
- If CORRA trimmed volumes are computed to be below the $3bn MVT, the fallback rate is triggered
- The current $3bn MVT is likely no longer representative

Chart 1: The minimum volume threshold has become a smaller share of CORRA trimmed volumes

CORRA trimmed volumes, minimum volume threshold (MVT), and its share of trimmed volume.



Source: Bank of Canada

Last observation: 15/08/25

Assessment

- Two options for a revised MVT: a higher static value or a more dynamic method
- A higher static MVT is simple, but will likely need to be updated again, potentially quickly if CORRA volumes move materially lower
- A dynamic method (i.e. moving average) is more robust to gradual market changes, but requires careful initial calibration

Table 1: MVTs that are 30% of CORRA trimmed volume will *typically* capture at least two and up to half the number of submitters

		Number of submitters that could be included in the MVT[b]		
MVT's share of average daily CORRA trimmed volume[a]	MVT	From	To	Average
25%	$9.5 billion	1	7	4
30%	$11.4 billion	2	7	4
35%	$13.3 billion	2	8	5
40%	$15.2 billion	3	9	6

a. Average daily CORRA trimmed volumes from May 2024 to July 2025.

b. Determined using the submitters average daily CORRA trimmed volume. For example, based on the average daily trimmed volume of $39bn post T+1 through to end-July 2025, a 30% share would represent an $11.4bn MVT. In terms of number of submitters, this amount would include about 4 submitters on average if submitter volumes were uniform—which they are not. Hence, using the daily average volume of each submitter over the same period, the number of submitters that could make up an $11.4bn MVT would on average be at least 2 to as many as 7 (out of 14).

Table 2: Number of days before the dynamic MVT crosses back below CORRA's new lower volume level (i.e. how long CORRA's methodology could remain in fallback)

Remaining CORRA volume:	Moving average lookback period (days): 3	5	10	15	20	60	90	180
>30%	not in fallback							
25%	1	2	3	4	5	14	20	40
20%	2	3	5	7	9	25	38	75
15%	2	3	6	9	12	36	53	106
10%	3	4	8	12	15	45	67	134
5%	3	5	9	14	18	53	79	158

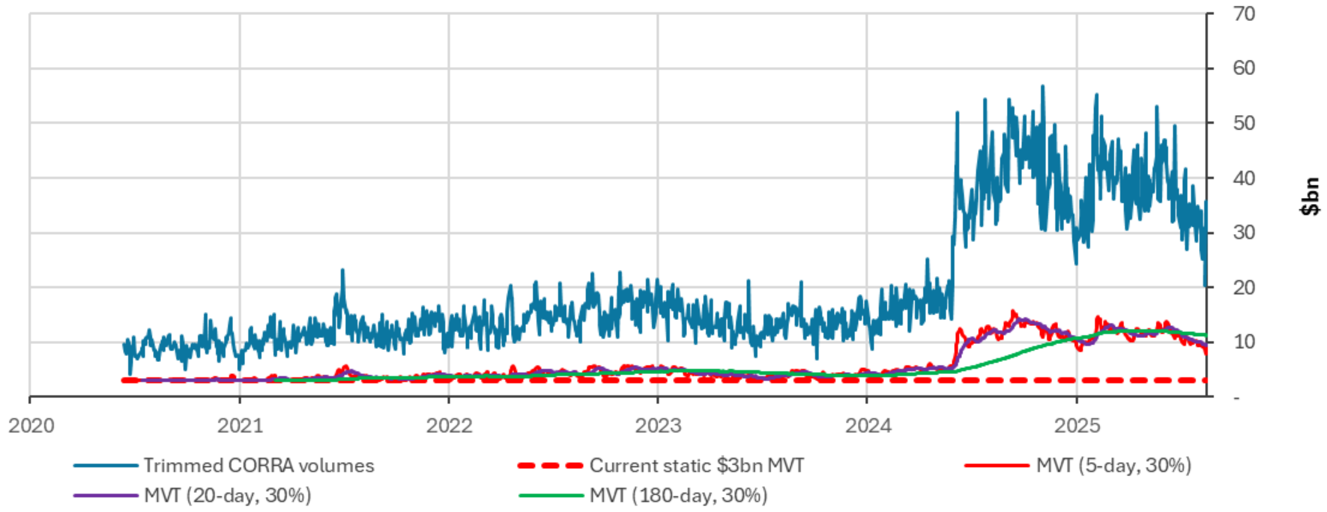
This scenario analysis assumes the MVT is a 30% n-day moving average of CORRA trimmed volumes. Each row shows remaining CORRA volume relative to volume just prior to a swift and sustained decline in trimmed volumes.

MVT Recommendation

- We recommend changing the MVT to be **dynamic and calculated daily as the higher of $3bn or 30% of a 5-day moving average of CORRA trimmed volumes**. For transparency, the MVT would be published on the Bank's website along with the other CORRA statistics

Chart 2: More dynamic minimum volume thresholds adjust to faster changes in CORRA trimmed volumes

CORRA trimmed volume, static and dynamic minimum volume thresholds ('MVT')



Source: Bank of Canada

Last observation: 18/08/25

$$\mathrm{MVT}_t = \max\left(\$3bn, 30\% * MA_{5-day}(CORRA\ trimmed\ volume)\right)$$